Safety and Service:

Our Drivers for Success

Annual Report

2004

Workplace Health, Safety and Compensation Commission

WHSCC

Newfoundland and Labrador

Letter to the Minister

May 10, 2005

The Honourable Joan Burke
Minister of Human Resources, Labour and Employment

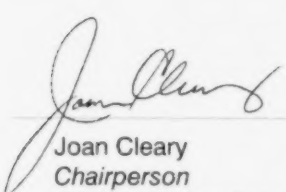
Dear Minister Burke:

In compliance with Section 12(1) of the *Workplace Health, Safety and Compensation Act*, I am pleased to submit the Annual Report of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador for the year ended December 31, 2004.

The report presents information on the Commission's activities for the 2004 calendar year, including the balanced scorecard report and audited financial statements.

I commend the report for your review.

Respectfully submitted,



Joan Cleary
Chairperson
On behalf of the Board of Directors

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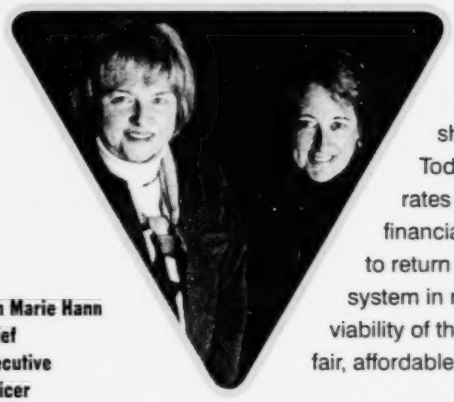
Report of the Chairperson and the Chief Executive Officer

Safety and Service: Our Drivers for Success

We are pleased to present our annual report, which provides information on our performance and achievements in workplace safety, injury management and financial indicators in Newfoundland and Labrador for 2004.



Ann Marie Hann
Chief Executive Officer
(left)

Joan Cleary
Chairperson
(right)

By and large, we are on track and headed in the right direction. In 2004, we saw an unprecedented decline in the province's injury rates. Not long ago, the province was shamed with having one of the nation's highest injury rates. Today, we can proudly say that we have one of the best incidence rates in the country, despite a continued rise in employment. Our financial status is stronger than ever. And, injured workers continue to return to work safely and earlier than before. However, we are still a system in recovery and there is much to do to ensure the long-term viability of this province's workers' compensation system, a system that is fair, affordable and sustainable for all.

Financially Sound

In 2004, the third year of our Five-Year Strategic Plan, the Commission exceeded its financial goals and stabilized its financial position. Our total revenue was $184.7 million, a 3.9 percent increase over the previous year. This is, once again, the highest level ever achieved, driven primarily by strong payroll growth.

Claims costs in 2004 were lower than 2003 by $7.1 million (5.1%). Since 2001, claims costs have decreased $11.4 million or 8 percent, despite rising health care costs. The Commission has begun to pursue alliances with other boards and health care organizations, and is in the process of consolidating the procurement of health care goods and services. Our goal is to maximize our purchasing power, while remaining focused on improving service to claimants, employers, health care providers and vendors.

In May 2004, the Commission entered into an information sharing agreement with the Canada Revenue Agency allowing both organizations to share employer registration information. To date, the Commission has assessed about a million dollars in new workers' compensation premiums, and 211 additional employers have registered with the Commission as a result of the agreement thus far.

Late in 2004, a five cent decrease in our average base assessment rate was announced, the first decrease since 2000, demonstrating that employer and worker efforts in accident prevention and return to work are starting to pay off. The 2005 rate was adjusted from $3.24 to $3.19. And for the first time since 1984, the maximum compensable earnings limit for injured workers increased. The ceiling on benefits went from $45,500 to $46,275, equal to the full Consumer Price Index for Canada.

Injury and Illness Prevention

Newfoundland and Labrador's incidence rate continued to decline in 2004, dropping to 2.2, a decrease of 12 percent from 2003. This steady decline in the province's incidence rate is a testament to the fact that workplaces are investing in health and safety and that injury prevention efforts across the province are paying off.

Safety must be a priority everywhere and with everyone to maintain this decrease in the incidence rate. In 2004, the Commission launched its new SAFE WORK public education campaign encouraging all Newfoundlanders and Labradorians to think about reducing risks and that safety is everyone's responsibility. Although still a relatively new campaign, we have received positive feedback from across the province, and research indicates that about 80 percent of the population believe it is important to promote and follow health and safety practices.

The Coming Year

The next 12 months will be extremely busy for the Commission. In particular, we will be implementing Phase One, or the Practice Incentive, of our new assessments incentive program called PRIME. This program, which received legislative approval in late 2004, will change the way we calculate employer premiums. It will give employers greater individual control over their assessment rates by rewarding them for implementing good occupational health and safety and return-to-work practices and reducing claims costs.

While PRIME offers employers obvious financial incentives with the potential for reduced assessments, it will ultimately mean safer workplaces and improved return-to-work programs for workers. And getting injured workers safely and quickly back to work leads to reduced workers' compensation costs, which benefits everyone. It's a not-so-vicious cycle that will foster a positive mindset to promote safer and, ultimately, life-saving work environments. Simply put: PRIME is a win-win-win for the employer, the worker and the system.

Developing a stronger service culture is a high priority for the Commission. As we continue to work externally with employers and workers, we are also looking internally to determine how we can further contribute to a healthier, stronger system. In 2004, as part of our ongoing renewal, we once again asked ourselves, "How can we become more accountable? What are the needs of our clients? How do we better serve them and improve the system?"

Since 2002, the Commission has been working with all stakeholders to successfully decrease the claims duration of its clients; however, the reduction has levelled off and duration is still much higher than the national

average. In addition, stakeholder satisfaction rates (both employer and worker) have remained stagnant at approximately 69 percent.

In 2004, we completed a full operational review. On March 2, 2005, the Commission announced it had developed a new four-year service improvement plan, which will realize better client service, operational efficiencies and improved communications between all stakeholders involved in the workers' compensation system. It is anticipated the plan could realize annualized administrative and program savings of $7.3 million upon full implementation of the operating plan by the end of 2008.

Two major elements of the multi-year plan involve implementation of a new web strategy and claims management model. Reforms to our claims management processes will cover the management of claims throughout a claim's life cycle, and focus on the Commission's role in claims management to ensure injured workers receive the benefits to which they are entitled, recover from their injuries, and return-to-work in a timely and effective manner.

Financial Reporting Changes

For 2004, the Commission was required to change its investment accounting policy for its financial statements as a result of new standards introduced by the Canadian Institute of Chartered Accountants. Investments must now be reported at their fair value, which is essentially their market value. Under the former policy, investment gains and losses were spread over a five-year period to decrease the impact of volatile investment markets on the Commission's financial results and programs.

Recognizing gains and losses in the year in which they occur introduces a significant amount of volatility to the Commission's financial performance. At the end of 2004, the Commission's funded ratio, determined on its traditional basis, was 82.9 percent, compared with 74.1 percent a year earlier. The adoption of new accounting standards for the valuation of long-term investments increases the 2004 funded ratio to 91.4 percent. The funded ratio at the end of 2003 would have been 80.1 percent on the new basis of accounting.

We cannot use an accounting policy alone to drive our key business decisions. Assessment rates for employers and benefit levels for injured workers cannot be based on short-term, annual investment gains and losses, which by their nature, are unpredictable and not guaranteed to be sustained over the long term. The Commission's financial capacity to lower rates or increase benefits must continue to be based on long-term investment returns.

We expect the Commission to maintain strong financial results despite fluctuations and erratic movements of the financial markets. We will also continue to be prudent when recognizing investment gains and losses over a reasonable time period when setting rates and benefit levels.

Partnering for Success

At the end of 2004, the Government of Newfoundland and Labrador appointed three new members and a new chairperson to the Commission's Board of Directors. We look forward to working together to build a stronger system and safer province. A special thank you is extended to our past board members who have finished their terms. Their guidance and contribution is truly appreciated. We must also

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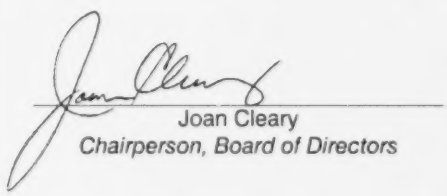
acknowledge the past chairperson, Wayne Trask, for his leadership and tireless commitment.

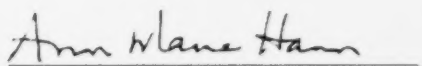
The Commission, like most work environments, is only as strong as its people. We want to thank our staff, who continue to demonstrate the importance and effectiveness of what we do as an organization. We look forward to the challenging and rewarding work we have ahead of us.

Beyond designing programs that target the needs of employers and workers, the Commission also recognizes that the stability of the system relies heavily on strong, effective and continued partnerships with all stakeholders. A warm note of thanks goes to our stakeholder groups, who have collaborated with us to set new directions for the workers' compensation system in this province. We also appreciate the support and services of the Government of Newfoundland and Labrador, particularly the Minister of Human Resources, Labour and Employment, the Honourable Joan Burke, the Labour Relations Agency and the Department of Government Services, who work hand-in-hand with us.

The progress the workers' compensation system is demonstrating today is based on the dedication of the province's workers, employers, health care providers, the Government of Newfoundland and Labrador, the Board of Directors, management and staff of the Workplace Health, Safety and Compensation Commission, and other stakeholders. As we collaborate with our partners to build a stronger, affordable, service-driven system, we will remain open and transparent, fostering healthier and safer workplaces for all Newfoundlanders and Labradorians.



Joan Cleary
Chairperson, Board of Directors



Ann Marie Hann
Chief Executive Officer

2004 Board of Directors

The Board of Directors of the Workplace Health, Safety and Compensation Commission comprises ten members, including three representatives each of employers, workers and the public, plus a chairperson.

Front Row: left to right

Ann Marie Hann – *Chief Executive Officer*

Joan Cleary – *Chairperson*[2]

2nd Row: left to right

Darren Roberts – *Employer Representative*[2]

Bernice Buckle – *Employer Representative*

Michael Power – *Worker Representative*[1]

Jack Stanley – *Public Representative*

Third Row: left to right

Chester Foote – *Employer Representative*[1]

Louise Ade – *Worker Representative*

Grant Barnes – *Worker Representative*[2]

Reg Anstey – *Worker Representative*

Randy Whitehorne – *Public Representative*

Back Row: left to right

Joseph Collins – *Public Representative*

Jack Parsons – *Employer Representative*[2]

Roger Flood – *Employer Representative*[1]

Missing from photo:

J. Wayne Trask – *Past Chairperson*[1]

Kim Dunphy – *Assistant Deputy Minister,* Occupational Health and Safety Branch Department of Government Services

1. Retired from the Board in November, 2004.
2. Appointed to the Board in November, 2004.

Board Information

Chairperson

Joan Cleary – first year
Residence – Come By Chance
- Mayor – Come By Chance
- Council Representative - Community Liaison North Atlantic Refinery
- Member of Chamber of Commerce,
- Arnold's Cove
- Member Community Liaison, Newfoundland Transshipment Ltd.

Worker Representatives

Reg Anstey – sixth year
Residence – St. John's
- President, Newfoundland and Labrador Federation of Labour
- Member, Canadian Labour Congress Board of Directors
- Member, Groundworks Atlantic Fisheries Benefit Plan
- Member, Offshore Fish Resource Harvester Inc.
- Chairperson, Growthworks-Atlantic Fund

Grant Barnes – first year
Residence – St. John's
- Retired Fire Captain, St. John's Regional Fire Department
- President of the St. John's Firefighters' Association
- Newfoundland Representative on the Executive Board of the Atlantic Provinces' Professional Fire Fighters Association
- Provincial Representative of the International Association of Firefighters
- Union Representative on the Arbitration Board and Grievances
- Instructor in Legislative Lobbying for Atlantic Provinces Firefighters
- Honourary Member of the Atlantic Provinces Firefighters Association

Lousie Ade – second year
Residence – Conception Bay South
- Vice-President, Canadian Postmasters and Assistants Association
- Executive Member, Newfoundland and Labrador Federation of Labour and member of its workers' compensation committee

Employer Representatives

Bernice Buckle – sixth year
Residence – Corner Brook
- VON Western Branch
- Senior Wellness Committee, Memorial Hospital
- Western Memorial Hospital Foundation and
- Western Health Care Corporation Board
- Awarded Lions International Melvina Jones Fellow Life Member status by the Lions Foundation of Canada
- Awarded Queen's Golden Jubilee Medal in 2002

Jack Parsons – first year
Residence – Flatrock
- President and CEO of K&P Contracting Ltd. and Heat Seal Limited
- Past Chairman, Newfoundland and Labrador Construction Safety Association
- Executive Member of Project Management Institute, NL Chapter
- Three-time President Award of Honour, Canadian Home Builders' Association

Darren Roberts – first year
Residence – Stephenville
- Councillor – Town of Stephenville
- Past President Bay St. George Chamber of Commerce
- Past Director Stephenville Airport Corporation

Public Representatives

Joseph Collins – first year
Residence – St. John's
- Western Regional Appeals Board
- Newfoundland Farm Products Corporation
- Newfoundland Chicken Marketing Board

Jack Stanley – third year
Residence – Grand Falls-Windsor
- Retired civil servant
- Provincial Apprenticeship and Certification Board
- Past Director, Grand Falls-Windsor Co-operative Society Board
- Past leader – Boy Scouts of Canada

Randy Whitehorne – second year
Residence – Labrador
- Past Secretary-Treasurer, Lion's Club
- Board of Directors, Labrador Community Employment (Treasurer)
- Past Member, St. John Ambulance
- Past Member, Big Brother, Big Sisters

Members for 2004 who are now retired from the Board

J. Wayne Trask – *Chairperson*
Chester Foote – *Employer Representative*
Michael Power – *Worker Representative*
Roger Flood – *Employer Representative*

Ex-Officio Representatives

Ann Marie Hann
Chief Executive Officer
Workplace Health, Safety and Compensation Commission

Kimberly Dunphy
Assistant Deputy Minister
Occupational Health and Safety Branch
Department of Government Services

Vision

In partnership with our stakeholders, we will have the safest workplaces and be the best workplace insurance provider and employer in Canada.

Introduction

We are a strategically focused organization with a vision to be the best in our business. Our mission defines our purpose and our values represent the context for the corporate culture. We all believe and abide by our core values and translate them into our daily work.

Mission

Utilizing skilled, professional employees, in partnership with workplace parties, we will facilitate safe and healthy workplaces by assisting employers and workers to prevent accidents, and manage workplace injuries/illnesses and return-to-work processes.

Operating as the administrator of the workers' compensation insurance program, we will provide a reasonable level of benefits to injured workers and their dependents based on reasonable assessment rates for employers, while maintaining or exceeding service level performance when compared to other jurisdictions in Canada.

Values

Excellence

We excel through innovation, continuous learning, personal initiative and strong partnerships, to provide the highest quality programs and services to our clients.

Integrity

We maintain the highest professional and ethical standards in our dealings with clients and each other.

Respect

As empathetic service providers, we treat each other, our clients and stakeholders with dignity and respect.

Accountability

We openly accept ownership of our actions, celebrate our successes and correct our mistakes.

Teamwork

We work together to produce outcomes that are greater than the sum of the individual efforts.

Quality Service

We provide valued services to our clients that are fair, prompt, sensitive and respective to their needs.

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Balanced Scorecard Report

As a strategically focused organization, the Commission has aligned its resources – financial and human – to its business goals and strategies. To ensure we achieve this strategic focus and alignment, we use a balanced scorecard to measure our success and be accountable to those we serve. Our balanced scorecard strategic goals are based on our 2002- 2006 Strategic Plan and are listed below:

Goal A: Prevention Focus Achieving Results
Goal B: Injured Workers and Employers Better Served
Goal C: Financially Secure
Goal D: Stakeholders Sharing Responsibility for Changes
Goal E: Commission Operating More Efficiently
Goal F: Knowledgeable Employees Satisfied and Retained

The year 2004 bought us over half way through our strategic plan and we have again reviewed our progress to see if we are achieving our targets. While we are either on or ahead of target for many of our goals, we realize there are other goals where we need to make further progress. To sustain our gains, we need better results in returning injured workers back to work and reducing health care expenditures. Without success in these areas, the system will continue to be extremely vulnerable despite the significant financial improvements we have seen. Until we fully address the root causes preventing earlier intervention and higher return to work rates, sustainability of the system over the long term could be jeopardized. Further, operational improvements at the Commission are critical if we are truly to be more responsive to our client needs.

Several new initiatives are now underway to mobilize the Commission and the workplace parties towards better performance in these critical areas. These are described below:

PRIME

In 2004, we received approval to launch a new assessments incentive program called **PRIME** (***P***revention + ***R***eturn-to-work + ***I***nsurance ***M***anagement for ***E***mployers/Employees), which sets new standards in preventing injuries and reducing the impact of injuries when they occur.

PRIME is a two-part program, which recognizes and rewards employers' good prevention and return-to-work practices, and consistently favourable claims experience, while addressing persistent, poor accident performance. Part One provides a Practice Incentive where employers

PRIME

can achieve a five percent refund on average assessments based on compliance with established criteria in the areas of occupational health and safety and early and safe return to work. Part Two of PRIME, the Experience Incentive, provides additional refunds (or charges) based on claims experience.

PRIME is being phased in over two years and will be fully operational in 2007. The Commission is offering extensive training to employers and workers to ensure maximum returns for all workplaces in accident prevention, return to work and reduced assessment premiums. By working together, employers will receive significant financial rewards and workers will be rewarded with healthier, safer workplaces and better return-to-work outcomes.

Service Improvement Plan

We have begun implementing a four-year service improvement plan to align internal structures and functions, and focus our energies and resources on activities that will bring greater value to our clients. This plan has two major components:

- **Claims Management Model**: This model focuses on both case management and medical management issues to address clients' needs and increase efficiencies. The improved claims management processes will result in: clearer, more efficient claims management and adjudication; earlier intervention on claims; more effective and timely case planning; an Extended Services Unit; and an internal quality assurance program. Implementation began in late 2004 and will be phased in over the next four years.

- **Web Strategy**: The strategy will provide a secure, on-line environment where the Commission's stakeholders can avail of web-based services to share information and data. This will provide more efficient access to, and exchange of, information between all parties, and automate select services to reduce processing time delays.

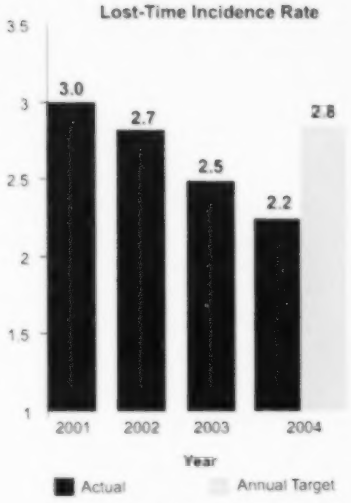
These initiatives will create new momentum in achieving our strategic goals. Our specific results for 2004 are outlined over the following pages.

Goal A: Prevention Focus Achieving Results

Accident and illness prevention is everyone's responsibility. We will work in partnership with our stakeholders to reduce the incidence of injury and illness in the workplace.

Goal A1 – *To work with the Occupational Health and Safety Branch of the Department of Government Services to reduce the incidence rate by 20% by 2006.* *[Note: The incidence rate is the number of lost-time claims per 100 people employed.]*

1. The total number of new injuries in 2004 was 8,366, down 7% from the 8,992 injuries in 2003. New injuries have decreased by 25.1% since 2001.
2. The number of new lost-time injuries for 2004 was 4,794, down 419 (8%) from 2003, and 21.8% from 2001.
3. The number of new health care only claims for 2004 was 3,572, down 207 (5.5%) from 2003, and 29% from 2001.
4. The province's lost-time incidence rate continued to decline in 2004 dropping to 2.2, a decrease of 12% from 2003, and 26.7% from 2001. This continued decline is a testament to the fact that workplaces throughout the province are investing in health and safety and injury prevention efforts are paying off. The Practice Incentive of PRIME should result in further attention to health and safety in this province, thus positively impacting this indicator in the future.
5. Of the 23 fatality claims in 2004, 10 resulted from workplace accidents, and the remaining 13 were claims related to occupational disease. Despite efforts to make workplaces safer, there are still too many fatalities.



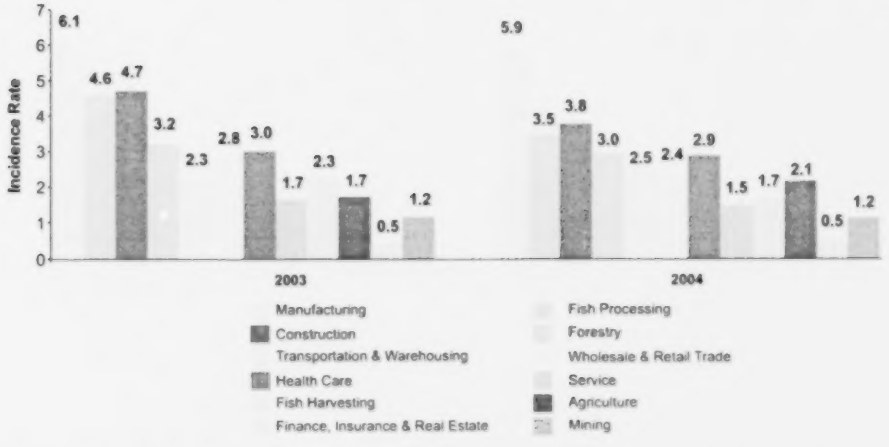
Incidence Rates have been updated to reflect recent Statistic Canada's revised employment statistics.

Accident and illness prevention is everyone's responsibility

Goal A2 – *To work with the Occupational Health and Safety Branch of the Department of Government Services to reduce the average incidence rate in the major industry sectors by a total of 25%.*

1. Eight of 12 industry sectors saw a decline in their incidence rates while two increased, and two stayed the same. The biggest declines occurred in fish harvesting (26.1%), fish processing (23.9%) and construction (19.1%). The agriculture industry saw an increase of 23.5%.
2. The Commission's Priority Employer Program, coupled with the Strategic Inspections Program of the Department of Government Services, continued to target employers with high accident rates and claims costs. This program showed positive performance again in 2004 as priority employers realized a claim reduction of 4%. In the past three years, total claims have been reduced by 22.8% for a cost savings of $3.3 million.
3. In 2004, the Commission delivered 29 prevention-related workshops. More training is planned in 2005 and 2006 as part of the Commission's PRIME training plan.

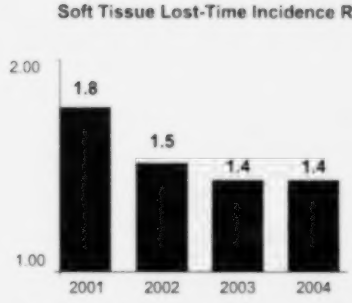
Incidence Rate in the Twelve Major Industry Sectors*



** Incidence Rates have been updated to reflect recent Statistic Canada's revised employment statistics.*

Goal A3 – *To work with the Occupational Health and Safety Branch of the Department of Government Services to reduce soft tissue injuries as a percentage of lost-time injuries to 55% by 2006.*

1. The 2004 soft tissue lost-time incidence rate (the number of soft tissue lost-time claims per 100 persons employed) was 1.40. This is a decrease of 22.2% from 2001.
2. While the incidence rate for soft tissue injuries has declined, the percentage of soft tissue injuries to total injuries increased from 59% in 2003 to 63% in 2004. This is the second year this indicator has increased. As soft tissue injuries usually have longer durations, and ultimately are costlier claims, we need to better focus on the prevention and management of them.
3. In 2004, we delivered four ergonomic workshops across the province in the construction and fishing sectors. We also developed and piloted a new ergonomic audit tool to use in industries at higher risk for soft tissue injuries.



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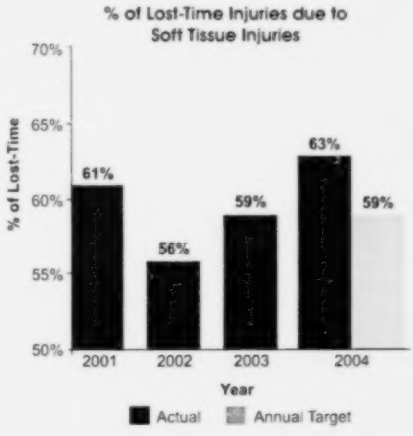


Goal A4 – *To finalize and implement a provincial accident prevention strategy.*

In 2003, after extensive consultation, the Commission released *Promoting Safe and Healthy Workplaces – A Provincial Strategy*. A number of new initiatives were implemented in 2004, including:

1. The Commission launched a public education campaign called SAFE WORK to foster an attitudinal shift towards a stronger safety culture in the province. Phase one of the campaign focused on raising awareness about accident prevention – communicating that accident prevention is everyone's responsibility, in every aspect of life. Phase two continued to reinforce the prevention message promoted in phase one, but focused on soft tissue injuries.

SAFE WORK
NEWFOUNDLAND & LABRADOR

S SPOT THE HAZARD
A ASSESS THE RISK
F FIND A SAFER WAY
E EVERYDAY

2. The Commission, in partnership with the Newfoundland and Labrador Employers' Council and the Department of Education, revised the Workplace 3220 high school course curriculum to include the standards for worker health and safety representative certification training. We intend now to work with employers of youth to have them include completion of this course as a pre-requisite to employment.
3. To help divers meet new provincial occupational health and safety regulations, brought into effect in 2004, the Commission partnered with the Marine Institute of Memorial University of Newfoundland to deliver seven occupational scuba diver five-day bridging courses to 56 divers in the sea urchin harvesting and commercial diving industries.

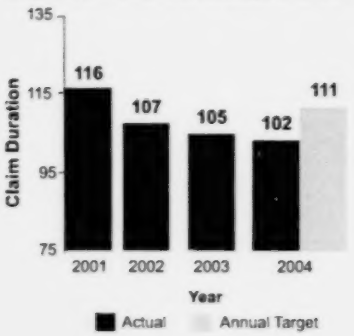
Goal B: Injured Workers and Employers Better Served

High quality service continues to be an important issue for the people we serve. We are committed to better serve them.

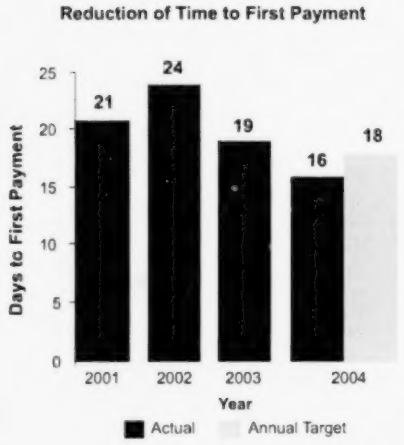
Goal B1 – *To reduce the average duration of claims to 95 days by 2006.*

1. For the fourth year in a row, the average duration of claims declined. In 2004, we saw another 2.9% drop, and since 2001, average duration has fallen 12.1%, well ahead of target.
2. While total claims duration is decreasing, the decrease is leveling off. We now need to work even harder if we are to achieve our long-term duration targets. The PRIME Program and new claims management model should act as the catalyst for further significant improvements.
3. As a result of stakeholder consultations, we revised all early and safe return-to-work and labour market re-entry policies and procedures. The most substantial change was to policy RE-18: Hierarchy of Return to Work and Accommodation. This policy focuses on maintaining the injured worker's link to the pre-injury job and clarifies the accommodation requirements for employers with re-employment obligations.

Targeted Reduction of Average Claim Duration



4. In 2004, 1,460 early and safe return to work programs were set up (30.5% of lost-time injuries). Plans are being set up earlier (an average of nine days sooner than in 2002), with the average duration of programs completed in 2004 being 34 days versus 50 days in 2002.
5. The total number of injury recurrences for those workers participating in a return-to-work program over the past three years was 33 recurrences, or 0.78%.
6. In 2004, we contracted with a private company to implement its new EMPOWER Program, a multidisciplinary assessment program for injured workers. EMPOWER uses a multidisciplinary approach to help diagnose the worker's condition as early as eight weeks post injury. It also serves to educate the worker, prevent chronicity, and develop an action plan for recovery, in conjunction with return to work, that involves the worker's employer and health care provider(s).
7. The Commission sponsored a Newfoundland and Labrador Federation of Labour training project in 2004 to provide return-to-work training for both workers and managers. This training appears to be paying off, as companies who participated in the training had an average decrease in short-term claims duration of approximately 30%.
8. The Commission has developed a two-year (2005-06) return-to-work training plan to support employers and workers under PRIME. Training will be offered using multiple training mediums and providers.



Goal B2 – *To reduce the time to first payment to 14 days by 2006.*

1. Process changes made in 2004 in the claim assembly and other front-end administrative areas focused on improving the efficiency with which the Commission collects the information necessary to register a new claim. These efforts have paid off as the Commission's time to first payment was 16 days in 2004. This represents a decrease of 16% from 2003 and 24% since 2001.

Goal B3 – *To increase the percentage of workers in the labour market re-entry (LMR) program as of November 1, 2001 who have completed their plan or are continuing their original labour market re-entry plan to 98% by 2006.*

1. In 2004, 85.7% of workers completed, or are continuing, their original labour market re-entry plan. Some LMR plans were terminated for reasons beyond the Commission's control, such as the worker became ill, the worker took another job, or the school terminated the program. Detailed codes for LMR plan terminations will be captured in the future to better measure the success of LMR planning.

2. In 2004, 25 original Labour Market Re-entry Plans were terminated; ten of which were due to a deterioration of the worker's medical condition; two resulted from injured workers returning to work; seven workers continued in Labour Market Re-Entry in a new or revised plan, while the remaining six plans were unsuccessful for other reasons. The Labour Market Re-Entry Program is constantly monitored and adjusted to learn from experience in order to evolve into a more comprehensive, value-added program for the injured workers who require this service.

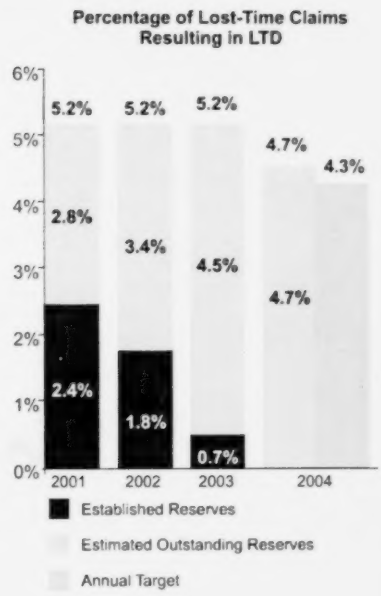
3. Improving our LMR referral process and expanding the number of external LMR providers resulted in a reduction of approximately 40 days in the average time from the date of referral to the date the assessment report was received by the Commission. In 2004, we also developed LMR screening assessments and a job site analysis data bank to further improve our LMR processes. These will be implemented in 2005.

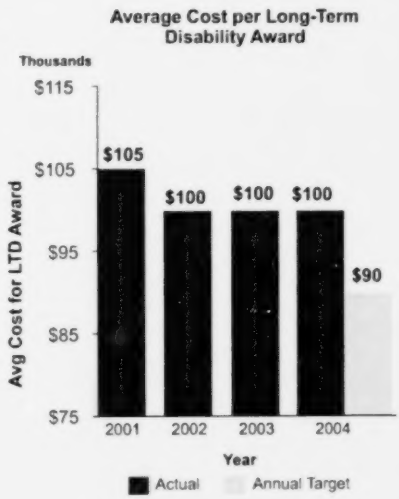
4. A new agreement with LMR providers, signed in the latter part of 2004, establishes new standards and timeframes for LMR assessments and services. As a result of a public expression of interest, the Commission also approved more qualified service providers to deliver LMR services in more regions in the province.

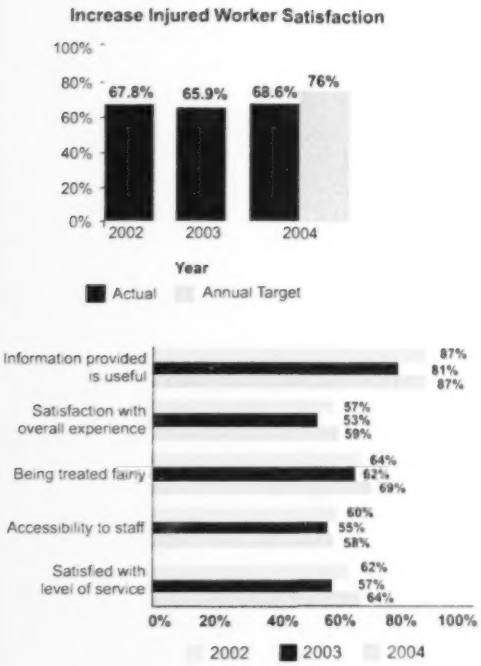
Goal B4 – *To decrease the percentage of lost-time claims per accident year resulting in long-term disability/extended earnings loss award (EEL) to 3.5% by 2006.*

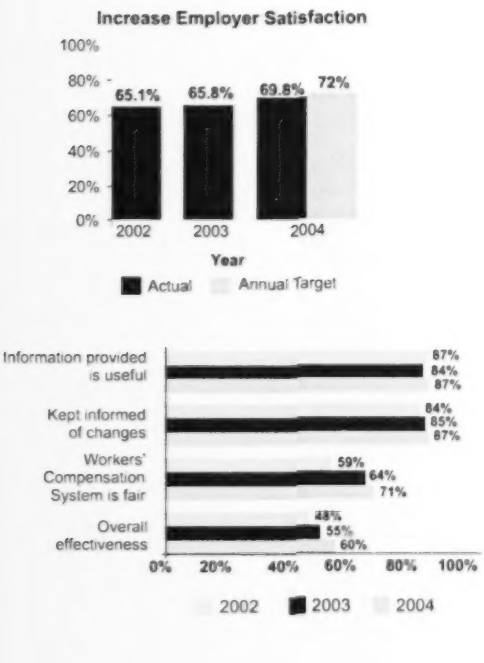
Goal B5 – *To reduce the average cost per long-term disability/extended earnings loss award (EEL) by restoring injured workers' pre-injury earnings capacity.*

1. The Commission's external actuary projects that 4.7% of new 2004 lost-time claims could eventually go on to long-term disability. While this falls short of our target of 4.3%, it is an improvement over last year (5.2%). It is the first time in five years that we have seen an improvement in this indicator.
2. In 2004, the Commission's average EEL award remained at $100,000, the same as the past two years. Because awards are indexed annually, the "real" average award value has actually declined.
3. In 2004, we established an Extended Benefits Unit to manage a portion of our long-term claims. Part of our new claims management model is to expand this Unit to include all long-term, complex (e.g. quadriplegics, paraplegics, head injuries, burn injuries), fatality and pension claims. The Unit has also been renamed the Extended Services Unit to focus on the full range of specialized needs and services required by our longer term clients.









Goal B6 – *To increase the average satisfaction level for injured workers to 85% by 2006.*

1. Based on the 2004 injured worker survey, injured worker satisfaction increased to 68.6% (as compared to 65.9% in 2003). While we are moving in the right direction, we recognize we still have more work to do to meet the needs of our injured workers.
2. The chart shows the five indicators which are weighted and included in the satisfaction index. The new claims management model and use of web-based services will help us respond better to the needs of injured workers.
3. In 2004, we announced that the maximum compensable earnings limit for injured workers will increase for the first time in twenty years, from $45,500 to $46,275, effective January, 2005. The increase equals the full Consumer Price Index for Canada, which will be fully applied on an annual basis hereafter.

Goal B7 – *To increase the average satisfaction level for employers to 85% by 2006.*

1. The overall employer satisfaction rate was 69.8% for 2004, up from the 65.8% in 2003.
2. Decreasing the overall average base assessment rate by five cents, and providing a new option to small- and medium-sized employers to pay assessments on a monthly basis to October 1, interest free, will further benefit employers in 2005. Additional improvements for employers should be realized from projects such as the web strategy, PRIME, and new claims management model.

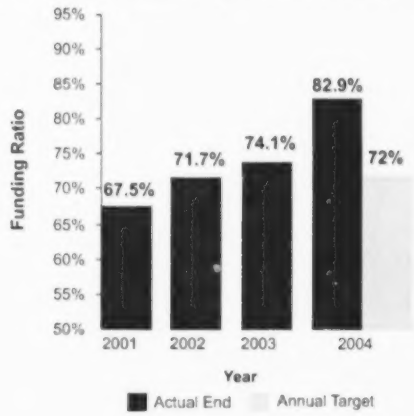
C: Financially Secure

A sound and sustainable financial position is critical not only to meet current needs, but also the needs of those who have suffered serious injury and who will need long-term financial support.

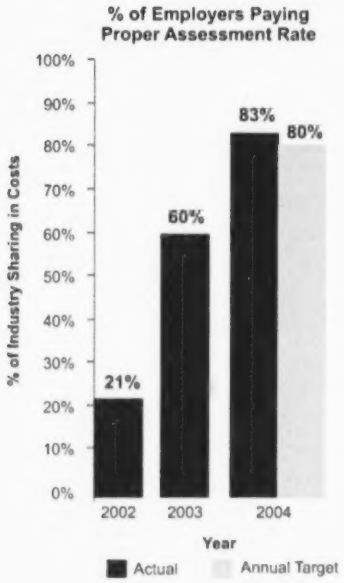
Goal C1 – *To increase the system's overall funding position to 80% by 2006.*

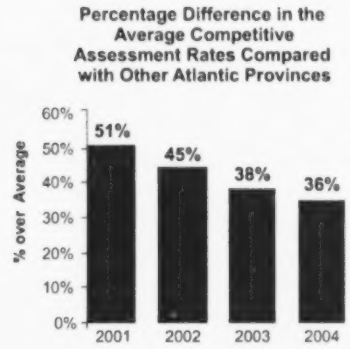
1. In 2004, our traditional funding ratio reached 82.9%, the best financial position reported in 20 years.
2. The adoption of new accounting standards for the valuation of long-term investments increases the 2004 funded ratio to 91.4 percent. The funded ratio at the end of 2003 would have been 80.1 percent on the new basis of accounting.
3. Total claims costs for 2004 decreased $7.1 million (5.1%) from 2003. This represents a decrease of $11.4 million (8%) from 2001. Improvements have occurred in all program areas, except health care, which increased by $3.5 million (9.4%) over 2003.
4. Assessment revenue (including self-insurers) was $167.0 million. This is up 7.6% or $11.8 million over 2003, and $29.4 million (21.4%) since 2001.
5. Assessment receivables are up 8.8% over 2003. This increase resulted mainly from assessments being levied on select employers late in the year, some of which resulted from our information sharing agreement with the Canada Revenue Agency.
6. Third-party legal actions taken on behalf of injured workers resulted in gross recoveries of $1.9 million. This is the largest amount recovered in any single year.
7. During 2004, the Commission made five referrals to the authorities to have fraud charges laid. There were three convictions of fraud, and two matters were pending at the end of 2004.
8. By the end of 2008, the Commission's four-year service improvement plan, once fully implemented, is expected to realize annual savings of $7.3 million in salary and program costs combined.

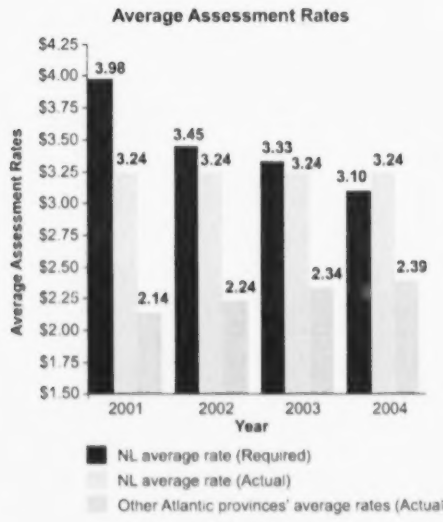
Increase Traditional Funding Position to 80% by 2006



...four-year service improvement plan is expected to realize annual savings of $7.3 million...







Goal C2 – *To ensure all industry groups are assessed their fair share of system costs by 2006.*

1. In 2004, 83% of employers paid their full and fair share of assessments. This compares with 60% in 2003 and 21% in 2002. In 2005, this will increase to 90%.
2. PRIME will further ensure employers pay their fair share of system costs as it better links workers' compensation assessments to employer practices and workplace accident and cost experience.
3. The joint agreement with the Canada Revenue Agency and the Commission resulted in 211 employers so far being levied assessments totaling almost $1 million.

Goal C3 – *To reduce the competitive variance in the average "required" assessment rate when compared to the other Atlantic Provinces.*

1. For 2004, the average assessment rate in Newfoundland and Labrador was 36% higher than the combined average of the other Atlantic provinces, compared to 38% in 2003 and 51% in 2001.
2. The Commission opted to hold the average assessment rate at $3.24 for the fifth straight year. Despite costs for 2004 requiring a rate of only $3.10 (down from $3.98 in 2001), rates in 2004 did not drop as it was necessary to recoup deficits from previous years.
3. In 2005, the average assessment rate will decrease from $3.24 to $3.19. Current plans call for a further decrease in the average assessment rate to $2.75 in 2006.

Goal C4 – *To maintain a competitive long-term income replacement rate variance when compared to the other Atlantic provinces.*

1. The long-term income replacement rate paid to injured workers in this province remained, on average, 6% below the other Atlantic provinces' average.
2. Although the income replacement rate was lower, the percentage of the workforce covered was much higher in Newfoundland and Labrador at 97%. The average for the remaining Atlantic provinces was approximately 86%.

Goal C5 – *To generate long-term investment returns that exceed the moving four-year average return on established benchmarks.*

1. In 2004, the Commission generated an annual investment return of 8.4%. The Commission's four-year annualized return was 5.5%, which was 2.7% above the policy benchmark.

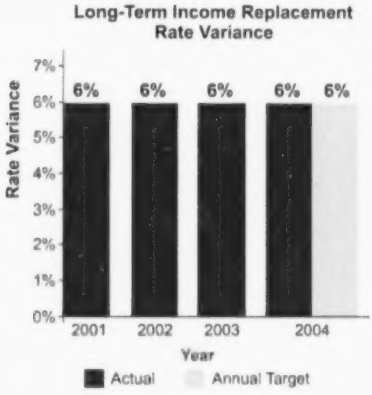
D: Stakeholders Sharing Responsibility for Changes

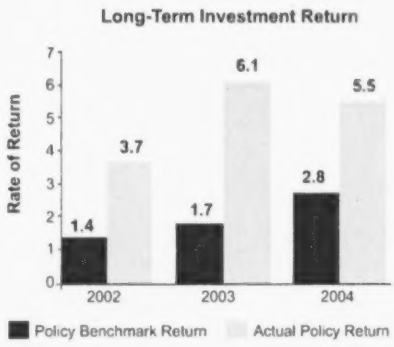
Challenges facing the system can be best met by everyone (employers, labour, injured workers, health care providers, the Provincial Government and the Commission) working in partnership and sharing responsibility, while being individually accountable.

Goal D1 – *To attain full employer and injured worker compliance with early and safe return-to-work (duty to co-operate).*

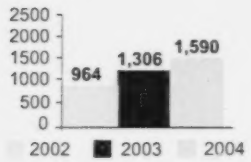
Goal D2 – *To attain full employer compliance with re-employment obligations.*

1. Our measurement for these goals counts only the number of times we terminated worker benefits or levied penalties against employers. Based on these measures, it would appear that, generally, injured workers and employers are co-operating in the early and safe return to work model. While this is positive, we know that more work needs to be done to measure the real effectiveness of the new legislation enacted in 2002. Part of the new claims management model will define better accountability measures in this area.

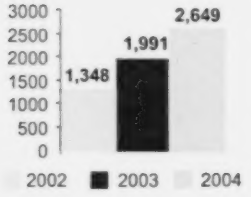




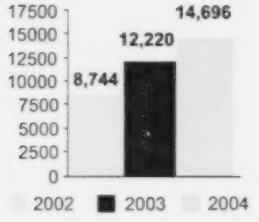
OH&S Committees Registered



Firms with WH&S Representatives Trained



Total OH&S Persons Trained



2. With the PRIME program comes greater expectations and accountability for workplace co-operation and re-employment obligations. While co-operation helps more injured workers return safely to their pre-injury positions, more employers need to proactively accommodate their injured workers and develop return-to-work programs. We will continue to work with the workplace parties to ensure they capitalize on the benefits PRIME offers.

Goal D3 – *To work with the Occupational Health and Safety Branch of the Department of Government Services to increase employer compliance with health and safety legislation regarding the establishment of occupational health and safety committees and worker health and safety representatives and related training.*

1. By the end of 2004, there were 1,590 active occupational health and safety committees registered with the Commission, an increase of 21.7% over 2003. Also, 2,649 employers participated in worker health and safety representative certification training, up 33% from 2003.
2. A total of 14,696 people have been trained for occupational health and safety committees or as worker health and safety representatives. This is a 20.3% increase over 2003.
3. By December, 2004, the Commission had certified 163 private trainers to provide occupational health and safety certification training throughout the province.
4. The Commission delivered 16 workshops in 2004 to 354 committee members on the new Occupational Health and Safety Committee Minutes Report Form. The Commission's internal Prevention Performance Information System was also improved to capture more comprehensive information on committee activities and workplace concerns.

Goal D4 – *To enhance the role of health care service providers in the management of workplace injuries.*

1. In 2004, the Commission released an opioid policy to better control the use of opioids (e.g., narcotic drugs) in pain management. This policy was positively received and has generated attention and discussion on the issue of opioid utilization in pain management.
2. To support our opioid policy and to enhance the role of health care providers in the management of workplace injuries, the Commission sponsored a Continuing Medical Education event on pain management for physicians in October 2004.
3. The original Memorandum of Agreement with the Newfoundland and Labrador Medical Association was strengthened and renewed in late 2004.

E: Commission Operating More Efficiently

The Commission is committed to efficiency in all operational areas through the adoption of appropriate business practices with a focus on performance measurement and management to achieve desired outcomes.

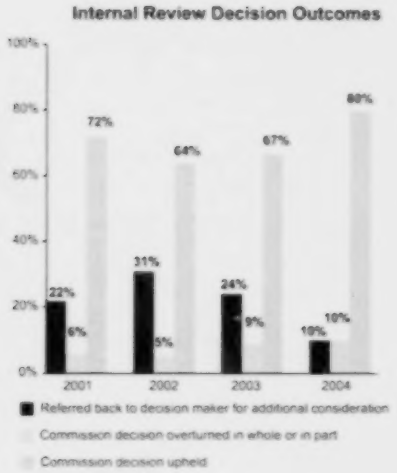
Goal E1 – *To use the most appropriate and current technologies to enable staff and stakeholders to effectively achieve their business needs.*

1. A comprehensive web strategy was developed in late 2004 which defines new system requirements and opportunities for the Commission to use web technologies and e-business applications to improve client services, gain process efficiencies, and support key corporate objectives. A total of 76 web-based services have been identified for development over the next four years.
2. In late 2004, work began on the development of the requirements for a new windows-based case management system to support our new claims management model.

Goal E2 – *To improve internal procedures for processing and accessing information.*

1. The Commission continued work on a computerized data warehouse to improve its information processing and access. In 2004, to supplement the modules developed for accident data, the data warehouse was expanded to include reporting capability for claims information and costs, health care analysis, workload statistics and assessment information. The current focus is on defining data warehouse requirements for the PRIME initiative, to capture and report on employer compliance with PRIME.
2. The new claims management model will provide process improvements in how injury claims are administered and managed through more efficient case management and adjudication, earlier intervention as well as improved case planning.
3. In November 2004, we updated our occupational coding system to the standard maintained by Statistics Canada and Human Resources and Skills Development Canada. This change will benefit our clients by providing an improved capability to analyze work injuries by specific occupations.

...adoption of appropriate business practices with a focus on performance measurement and management...



...requests for claim files was reduced from 23 days in 2003 to eight days in 2004...

4. We refined certain processes and functions for vendor management and medical aid accounts payable functions to help strengthen financial controls and improve internal processing. We issued tenders for various goods and services which will realize annual savings of $200,000. We continue to explore group purchasing alliances, provincially and regionally, to save money through increased purchasing power.
5. The Commission's Internal Review Division fully met its legislated 45-day timeline for internal review decisions.
6. Average turnaround time for requests for claim files was reduced from 23 days in 2003 to eight days in 2004.

Goal E3 – *To enhance internal controls through the implementation of internal audit recommendations.*

1. Internal audit recommendations are being implemented as required.

Goal E4 – *To ensure policies and procedures are current and effective.*

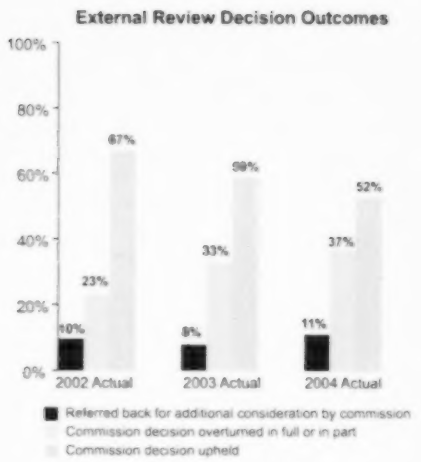
1. We continue to have regular, face-to-face consultations with our stakeholders in the form of Board-sponsored round table discussions and policy/program consultations (such as workshops, mini-round tables, and mail-outs) to ensure our policies and programs are current and effective.
2. In 2004, the Board approved 24 policy revisions and 10 new policies. In addition, 10 procedures were revised and three new procedures were developed and implemented.
3. Each year, the Commission makes thousands of decisions affecting injured workers and employers. A total of 467 decisions (estimated at less than 1% of all appealable decisions) were appealed to the Workplace Health, Safety and Compensation Review Division (external appeal), compared with 437 in 2003.
4. Of the decisions rendered by the Review Division in 2004, 37% (154) ruled against the Commission, in full or in part. While this represents a small percentage of total decisions and is one of the lowest overturn rates in the country, the

Commission is concerned with this overturn rate from a quality perspective, and has undertaken the following:

i. We are now reviewing every overturned decision to identify what led to the overturn decision. An analysis conducted in 2004 identified the need for additional staff training and process changes.

ii. The new claims management model will result in better up front adjudication and case management practices. This new model also includes an internal quality assurance program designed to monitor and ultimately improve the overall quality of decisions.

iii. In 2005, we will be increasing our attendance at external review hearings to better explain, and provide clarification on our decisions.

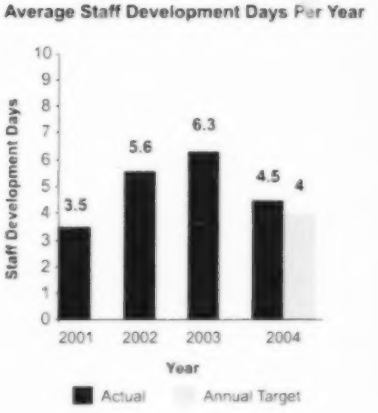


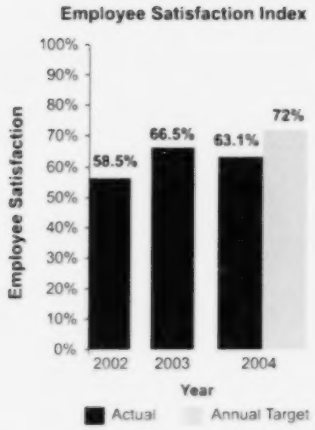
F: Knowledgeable Employees Satisfied and Retained

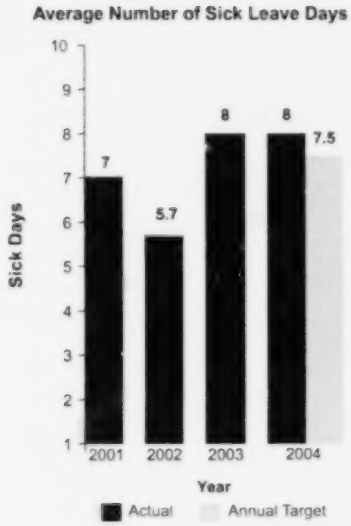
The Commission highly values its employees and will provide them with the necessary training and professional development aimed at achieving a service culture and a productive, accountable and performance-driven work environment.

Goal F1 – *To ensure staff development average continues to be four days per employee.*

1. Our policy is to fully support staff in professional development and on-the-job training opportunities to ensure they are well prepared to serve our clients. The average number of job-related training days per employee in 2004 was 4.5 days. Significant staff training will occur in 2005 as a result of implementation of PRIME and our new four-year service improvement plan.







Goal F2 – *To increase employee satisfaction.*

1. The 2004 employee survey showed an overall staff satisfaction level of 63.1%. As this result was down from the 66.5% survey result in 2003, we conducted staff focus groups and are now finalizing an internal culture enhancement initiative. Implementation is planned to begin in 2005.

Goal F3 – *To complete performance reviews and development plans annually.*

1. During 2004, all required staff performance reviews were completed.

Goal F4 –*To ensure leadership development and career pathing is effective.*

1. 68.4% of employees were satisfied with their leadership development and career opportunities as indicated in the 2004 employee survey.

Goal F5 – *To reduce the average number of sick days to 6.5 by 2006.*

1. The Commission is committed to a healthy and safe work environment. One of the measures we track is sick leave. While there are multiple uncontrollable factors affecting sick leave, our objective is to support and take necessary preventive measures for those areas within our control.
2. Sick leave in 2004 averaged eight days, which was the same as in 2003. To help address this issue, we are now working with our union locals of the Newfoundland and Labrador Association of Public Employees, to develop a new disability management program.

2004 Financial Statements

Management Responsibility for Financial Reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this Annual Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors has reviewed the financial statements and other financial information included in this Annual Report.

The Board of Directors is assisted in its responsibilities by its Finance and Audit Committee. This committee reviews and recommends approval of the financial statements and Annual Report, meets periodically with management, the Internal Auditor, external auditors and actuaries concerning internal controls and all other matters relating to financial reporting, and recommends the appointment of external auditors and actuaries.

The firm of Morneau Sobeco has been appointed as independent consulting actuary to the Commission. Its role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on a periodic basis not to exceed two years and to report thereon in accordance with generally accepted actuarial principles. Such a valuation was performed as at December 31, 2004.

Deloitte & Touche LLP, the external auditors of the Commission, have performed an independent audit of the financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Ann Marie Hann
Chief Executive Officer

Paul Kavanagh
Chief Financial & Information Officer

Actuarial Statement of Opinion

With respect to the *Workplace Health, Safety and Compensation Act* of Newfoundland and Labrador, I state that in my opinion:

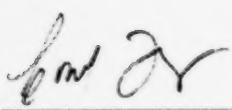
1. The total benefit liabilities as at December 31, 2004 for benefit payments of all types expected to be made after December 31, 2004 (including capitalized awards and the effect of future indexing) in respect of accidents of 2004 and prior years amount to $648,417,385 for assessed employers. Self-insured employers, future administration expenses and future claims arising from latent occupational diseases were not included in this valuation.

2. The data on which the valuation is based were provided by the Commission in accordance with detailed specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities of the Commission as described above.

3. The actuarial assumptions adopted in computing the foregoing liabilities are adequate and appropriate, and the methods employed are in accordance with accepted actuarial practice. The economic assumptions adopted for purposes of computing the above-noted liabilities are consistent with the long term investment policy of the Commission. The discount rates used are disclosed in note 10 to the financial statements.

4. The valuation report has been prepared and my opinion has been given in accordance with accepted actuarial practice.

Details of the data, actuarial assumptions and valuation methods are set out in the actuarial valuation report as at December 31, 2004, of which this certificate forms part.



Conrad Ferguson, F.S.A., F.C.I.A.
Partner, Morneau Sobeco

April 14, 2005
Date

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Auditors' Report

To the Board of Directors of the
Workplace Health, Safety and Compensation
Commission of Newfoundland and Labrador

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador as at December 31, 2004 and the statements of operations, unfunded liability, comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador
March 4, 2005

Deloitte & Touche LLP
Chartered Accountants

Statement of Financial Position

As at December 31

(dollars in thousands)	2004	2003
Assets		
Cash and cash equivalents (Note 4)	**$ 5,774**	$ 25,141
Receivables (Note 5)	**15,662**	14,398
Investments (Note 6)	**572,804**	440,793
Capital assets (Note 8)	**9,599**	9,942
	$ 603,839	$ 490,274
Liabilities and Net Fund Deficiency		
Payables and accruals	**$ 11,485**	$ 9,597
Benefit liabilities (Note 9)	**648,417**	650,794
Total liabilities	**659,902**	660,391
Reserves (Note 11)	**971**	973
Accumulated other comprehensive income (Note 12)	**57,721**	-
Unfunded liability	**(114,755)**	(171,090)
Net fund deficiency	**(56,063)**	(170,117)
	$ 603,839	$ 490,274

Commitments (Note 21)

Contingencies (Note 22)

On behalf of the Commission

Joan Cleary
Board Chairperson

Darren Roberts
Director

The accompanying notes are an integral part of the financial statements.

Statement of Operations

Years ended December 31

(dollars in thousands)	2004	2003
Revenue		
Assessments	**$ 166,965**	$ 155,150
Investment income (Note 6)	**17,733**	22,623
	184,698	177,773
Expenses		
Claims costs incurred		
Short-term disability	**27,760**	31,890
Long-term disability	**56,356**	61,980
Survivor benefits	**5,121**	5,581
Health care	**40,464**	36,998
Rehabilitation	**1,329**	1,692
	131,030	138,141
Administration (Note 14)	**21,383**	21,183
Legislated obligations (Note 15)	**6,177**	5,589
Amortization	**2,577**	2,421
Other (Note 16)	**1,162**	952
	162,329	168,286
Surplus from operations	**22,369**	9,487
Actuarial adjustments (Note 9)	**28,435**	(1,997)
Surplus for the year	**$ 50,804**	$ 7,490

The accompanying notes are an integral part of the financial statements.

Statement of Unfunded Liability

Years ended December 31

(dollars in thousands)	2004	2003
Unfunded liability, beginning of year	**$ (171,090)**	$ (178,580)
Change in accounting policy (Note 2)	**5,531**	-
	(165,559)	(178,580)
Surplus for the year	**50,804**	7,490
Unfunded liability, end of year	**$ (114,755)**	$ (171,090)

The accompanying notes are an integral part of the financial statements.

Statement of Comprehensive Income

Year ended December 31

(dollars in thousands)	2004
Surplus for the year	**$ 50,804**
Other comprehensive income:	
Unrealized gains on available-for-sale investments	**27,815**
Realized gains on available-for-sale investments included in surplus from operations	**(5,630)**
Amortization of reversal of investment gains (Notes 2 and 12)	**1,796**
Net change in other comprehensive income for the year	**23,981**
Comprehensive income	**$ 74,785**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Years ended December 31

(dollars in thousands)	2004	2003
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 165,701**	$ 154,741
Investment income	**9,617**	10,430
	175,318	165,171
Cash paid to:		
Claimants or third parties on their behalf	**(104,972)**	(110,169)
Suppliers and employees, for administrative and other goods and services	**(27,085)**	(26,590)
Third party, from reserve fund	**(2)**	(27)
	(132,059)	(136,786)
Net cash provided from operating activities	**43,259**	28,385
Cash flow from investing activities		
Purchase of investments	**(60,392)**	(25,629)
Purchase of capital assets	**(2,234)**	(2,639)
Net cash used for investing activities	**(62,626)**	(28,268)
Net (decrease) increase in cash and cash equivalents	**(19,367)**	117
Cash and cash equivalents		
Beginning of year	**25,141**	25,024
End of year	**$ 5,774**	$ 25,141

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Years ended December 31, 2004 and 2003

1. Nature of operations

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act (the Act)*, as amended. The Commission is responsible for, in accordance with the provisions of *the Act*, preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under *the Act* to make rulings on any appeals pertaining to the Commission's assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The Commission administers *the Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through 'collective liability' and are required to contribute to the Commission's Insurance Fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

2. Change in accounting policy

Effective January 1, 2004, the Commission adopted, prospectively, the Canadian Institute of Chartered Accountants new accounting standard for Financial Instruments which requires that investments be recorded at fair value.

Previously, fixed term investments were recorded at amortized cost and equity investments were recorded at moving average market value. Unrealized gains and losses occurring during the year, together with realized gains and losses on the disposal of investments, were deferred and amortized on a straight-line basis over a five-year period.

Under the new standard all investments are required to be carried at fair value and realized gains and losses on the disposal of investments are recognized as investment income in the year in which they occur. Unrealized gains and losses are recorded as a component of other comprehensive income until realized.

At January 1, 2004 investments had a fair value of $480.0 million and a cost basis of $439.1 million. As a result of adopting the new standard, the $40.9 million excess of fair value over cost has been recorded as an adjustment to the opening balance of accumulated other comprehensive income. In addition, the balance of previously recognized unrealized investment gains of $7.2 million has been charged to the opening balance of accumulated other comprehensive income in accordance with the transitional provisions of the Financial Instruments accounting standard and will be amortized over a period of four years. The $5.5 million of previously deferred realized investments gains have been applied to the opening unfunded liability.

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Commission's significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments in money market instruments which will be liquidated in the near term.

(b) Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls. The assessment levy is payable by installments within the current year. At year-end, assessment income is adjusted based on a review of the employers' actual payrolls.

(c) Assessments receivable

Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is recorded based on historical assessment information.

(d) Investments

Investments are designated as available-for-sale and are recorded at fair value. The Commission applies settlement date accounting for investments. Gains and losses realized on the disposal of investments are recorded in operating surplus in the year. Unrealized gains and losses are recorded in other comprehensive income until realized. Interest and dividend income are recognized in the period earned.

Notes to Financial Statements

Years ended December 31, 2004 and 2003

(e) Capital assets

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Systems development	1 to 5 years
Equipment under capital lease	2 to 5 years

(f) Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated, nor for future processing expenses of existing claims.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

(g) Reserves

In accordance with Section 20.5 (1) of *the Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. *The Act* permits the Commission to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of *the Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

(h) Use of accounting estimates

1) Benefit liabilities

An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate. The Commission believes that the amount provided for benefit liabilities as at December 31, 2004, is adequate, recognizing that actuarial assumptions as disclosed in Note 10 may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

2) Assessments revenue

Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, having regard to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

(i) Financial instruments

The Commission's financial instruments consist of cash and cash equivalents, receivables, investments and accounts payable and accruals. The carrying value of financial instruments, with the exception of investments, approximate their fair values due to their immediate or short-term maturity and normal credit terms. The fair value of investments is based on quoted market prices.

4. Cash and cash equivalents

(dollars in thousands)	2004	2003
Money market instruments	**$ 3,965**	$ 22,996
Bank balances	**1,809**	2,145
	$ 5,774	$ 25,141

The Commission has established an operating line of credit with its banker in the amount of $20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 1.8%. The credit facility is unsecured and was not utilized during 2004.

Notes to Financial Statements

Years ended December 31, 2004 and 2003

5. Receivables

(dollars in thousands)	2004	2003
Assessments	$ 7,144	$ 4,841
Accrued assessments	7,000	7,000
Other	1,518	2,557
	$ 15,662	$ 14,398

6. Investments

(dollars in thousands)	2004		2003		
	Fair Value	Cost	Fair Value	Cost	Carrying Value
Fixed term	$ 183,205	$ 177,150	$ 170,193	$ 155,688	$ 164,462
Equities	386,954	329,899	307,963	281,456	279,954
Accrued interest	2,645	2,645	1,908	1,908	1,908
	572,804	509,694	480,064	439,052	446,324
Deferred investment gains	-	-	-	-	(5,531)
	$ 572,804	$ 509,694	$ 480,064	$ 439,052	$ 440,793

Investment income is comprised of the following:

(dollars in thousands)	2004	2003
Interest and dividends	$ 13,288	$ 12,964
Realized investment gains	8,116	-
Amortization of deferred realized investment gains	-	6,181
Amortization of deferred unrealized investment gains	-	5,319
Reversal of recognized unrealized investment gains (Note 2)	(1,796)	-
Amortization of premium on fixed term investments	-	(274)
	19,608	24,190
Less: Portfolio management expenses	(1,875)	(1,567)
Total investment income	$ 17,733	$ 22,623

Notes to Financial Statements

Years ended December 31, 2004 and 2003

The Commission's asset mix policy for 2004 and 2003 is presented below:

	Asset Mix	Tolerance Range
Bonds Canadian	35%	±5%
Equities Canadian	35%	±5%
Equities United States	15%	±3%
Equities Europe, Asia and Far East (EAFE)	15%	±3%

7. Financial instruments

(a) *Market risk management*

The Commission invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Commission does not use derivative financial instruments for trading purposes.

(b) Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 97.8% (2003; 95.3%) have at least an 'A' credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short-term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short-term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

(c) *Foreign exchange risk management*

The Commission has certain investments denominated in foreign currencies. The Commission does not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced by short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio. As at December 31, 2004, the Commission's holdings in foreign equities and pooled equity funds had a market value of $185.8 million (2003; $136.2 million) representing 32.5% (2003; 28.4%) of the market value of the total investment portfolio.

Notes to Financial Statements

Years ended December 31, 2004 and 2003

(d) Interest rate risk management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table below represents the remaining term to maturity of the Commission's fixed term investments.

	Remaining Term to Maturity				
Fair Value (2003; Carrying Value) (dollars in thousands)	**Within 1 Year**	**1 Year to 5 Years**	**Over 5 Years**	**Total 2004**	**Total 2003**
Fixed term investments	$ 11,655	$ 63,014	$ 108,536	**$ 183,205**	$ 164,462

8. Capital assets

(dollars in thousands)	2004			2003
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Land	$ 11	$ -	$ 11	$ 11
Building	7,601	4,180	3,421	3,689
Furniture and equipment	2,592	1,957	635	776
Computer equipment	7,295	5,774	1,521	1,791
Systems development	12,146	8,152	3,994	3,642
Equipment under capital lease	17	-	17	33
	$ 29,662	$ 20,063	$ 9,599	$ 9,942

Included in system development costs for 2004 is $1,490,229 (2003; $1,220,500) related to business improvement projects.

9. Benefit liabilities and claims costs

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on a periodic basis, not to exceed two years. Such a valuation was performed as at December 31, 2004.

Notes to Financial Statements

Years ended December 31, 2004 and 2003

An analysis of the components of, and changes in, benefit liabilities is as follows:

(dollars in thousands)	2004						2003
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Total	Total
Balance, Beginning of year	$ 54,174	$ 416,289	$ 55,197	$ 120,713	$ 4,421	**$ 650,794**	$ 620,825
Add:							
Claims costs incurred:							
Current year injuries	23,820	24,787	878	30,648	1,065	**81,198**	90,556
Prior years' injuries	3,940	31,569	4,243	9,816	264	**49,832**	47,585
	27,760	56,356	5,121	40,464	1,329	**131,030**	138,141
Deduct:							
Claims payments:							
Current year injuries	8,323	564	174	7,069	5	**16,135**	16,215
Prior years' injuries	17,500	37,872	6,536	25,332	1,597	**88,837**	93,954
	25,823	38,436	6,710	32,401	1,602	**104,972**	110,169
Balance before actuarial adjustments	56,111	434,209	53,608	128,776	4,148	**676,852**	648,797
Actuarial adjustments	(7,989)	(28,115)	992	6,919	(242)	**(28,435)**	1,997
Balance, end of year	$ 48,122	$ 406,094	$ 54,600	$ 135,695	$ 3,906	**$ 648,417**	$ 650,794

10. Actuarial assumptions

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. As these assumptions may change over time, it is possible that such changes could cause a material change in the actuarial present value of future benefit liabilities.

Notes to Financial Statements

Years ended December 31, 2004 and 2003

The table below lists the principal economic assumptions used.

	2004		2003	
	CPI-Indexed Awards	Other Payments	CPI-Indexed Awards	Other Payments
Gross rate of return	7.12%	7.12%	7.12%	7.12%
Inflation Year 1	1.72%	3.50%	3.40%	3.50%
Inflation rate future years	3.50%	3.50%	3.50%	3.50%
Net rate of return Year 1	5.31%	3.50%	3.60%	3.50%
Net rate of return future years	3.50%	3.50%	3.50%	3.50%

11. Reserves

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2004, $2,000 (2003; $27,000) was issued from the reserve.

12. Change in accumulated other comprehensive income

In accordance with its accounting policy on investments the Commission records unrealized gains and losses in accumulated other comprehensive income. The changes in accumulated other comprehensive income in the year are as follows:

(dollars in thousands)	2004
Balance, beginning of year	$ -
Change in accounting policy (Note 2)	
Excess of fair value over cost	40,925
Reversal of recognized unrealized investment gains	(7,185)
	33,740
Net change in other comprehensive income for the year	23,981
Balance, end of year	$ 57,721

Notes to Financial Statements

Years ended December 31, 2004 and 2003

13. Change in unfunded liability

(dollars in thousands)	2004	2003
Unfunded liability, beginning of year	**$ (171,090)**	$ (178,580)
Favourable revenue variance	**48,300**	28,100
Interest on unfunded liability	**(12,200)**	(12,700)
Investment income variance	**(13,500)**	(5,800)
Liability adjustments for prior years' claims	**28,435**	(1,997)
Change in accounting policy (Note 2)	**5,531**	-
Other	**(231)**	(113)
Unfunded liability, end of year	**$ (114,755)**	$ (171,090)

14. Administration expenses

(dollars in thousands)	2004	2003
Salaries and employee benefits	**$ 17,270**	$ 17,003
Office and communications	**2,154**	2,235
Building operations	**602**	597
Travel and vehicle operating	**619**	674
Professional fees	**738**	674
	$ 21,383	$ 21,183

Notes to Financial Statements

Years ended December 31, 2004 and 2003

15. Legislated obligations

The Commission is required by legislation to reimburse the provincial government for a portion of the operating costs of the Department of Government Services, the Department of Human Resources, Labour and Employment and the Labour Relations Agency in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division. The Commission is also required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(dollars in thousands)	2004	2003
Government Departments and Labour Relations Agency	$ 4,893	$ 4,527
Workplace Health, Safety and Compensation Review Division	884	662
Employer and Worker Advisors	400	400
	$ 6,177	$ 5,589

16. Other expenses

(dollars in thousands)	2004	2003
External training initiatives	$ 671	$ 388
Business improvement projects	491	564
	$ 1,162	$ 952

External training represents funding provided to the Newfoundland and Labrador Federation of Labor and the Newfoundland and Labrador Construction Safety Association (NLCSA) for return-to-work training programs. The agreements with both organizations ended December 31, 2004. A new two-year agreement with the Newfoundland and Labrador Federation of Labor expires December 31, 2006.

17. Related party transactions

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

Notes to Financial Statements

Years ended December 31, 2004 and 2003

18. Industry levy

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the Association totaled $368,000 in 2004 (2003; $297,000) and are not included in the Statement of Operations.

19. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

(dollars in thousands)	2004	2003
Assessments revenue	**$ 7,958**	$ 8,519
Claims costs incurred:		
Short-term disability	**779**	521
Long-term disability	**3,054**	3,319
Survivor benefits	**467**	476
Health care	**2,554**	2,703
Administration charges	**1,104**	1,500
	$ 7,958	$ 8,519

20. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions of $1,080,000 (2003; $1,045,000) for pensions are recognized in the accounts on a current basis.

21. Commitments

The Commission has committed to lease payments for office premises and equipment as follows:

(dollars in thousands)	Capital	Operating	Total
2005	$ 10	$ 146	$ 156
2006	10	146	156
2007	-	146	146
2008	-	142	142

Notes to Financial Statements

Years ended December 31, 2004 and 2003

22. Contingencies

(a) The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

(b) The legislative amendments to *the Act* on May 24, 2001 provided for payments to surviving dependent spouses whose benefits were terminated on or after April 17, 1985. In July, 2001, three complaints were filed by dependent spouses who remarried before April 17, 1985 against the Commission and the Department of Human Resources, Labour and Employment to the Human Rights Commission for alleged discrimination on the basis of marital status. However, the Human Rights Commission adjudicator ruled that she did not have jurisdiction to decide the matter. This matter was originally considered by the Supreme Court Trial Division which agreed that the adjudicator did not have jurisdiction. The Human Rights Commission has further appealed the issue of jurisdiction to the Court of Appeal. A date for the hearing has not been set.

Retroactive reinstatement of benefits to all survivors who remarried prior to 1985 has the potential to increase the Commission's benefits liabilities by approximately $6,600,000. The final outcome of this matter is still undeterminable.

23. Subsequent event

On March 2, 2005, the Commission announced the outcome of an operational review which commenced in 2003. The review was undertaken to identify improvements in business processes and to position the Commission to better meet stakeholder needs arising from legislative changes introduced in 2002. The Commission's response to the review is a four-year operating and business improvement plan which will realize operational efficiencies and improve communications among all stakeholders involved in the workers' compensation system in the Province. There are no additional material costs associated with the staffing impacts of the operating plan to be reflected in the Commission's financial statements as at December 31, 2004. It is anticipated the Commission may realize annualized administrative and program savings of $1.8 million and $5.5 million, respectively, on the full implementation of the operating plan by 2009.

24. Comparative figures

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

Five-Year History

Statement of Operations and Unfunded Liability for the Years Ending December 31

(thousands of dollars)	2004 New Basis	2004 Prior Basis	2003	2002	2001	2000
Revenue						
Assessments	**$ 166,965**	**$ 166,965**	$ 155,150	$ 155,969	$ 137,528	$ 134,443
Investment income	**17,733**	**24,808**	22,623	12,049	29,226	32,018
	184,698	**191,773**	177,773	168,018	166,754	166,461
Expenses						
Claims costs incurred	**131,030**	**131,030**	138,141	136,866	142,448	144,841
Administration	**21,383**	**21,383**	21,183	20,128	18,252	15,710
Legislated obligations	**6,177**	**6,177**	5,589	5,106	4,629	4,515
Amortization	**2,577**	**2,577**	2,421	2,680	2,724	2,432
Other	**1,162**	**1,162**	952	2,210	1,121	213
	162,329	**162,329**	168,286	166,990	169,174	167,711
Surplus (deficiency) from operations before the following	**22,369**	**29,444**	9,487	1,028	(2,420)	(1,250)
Actuarial adjustments	**28,435**	**28,435**	(1,997)	16,421	(5,283)	(20,902)
Surplus (deficiency) for the year	**50,804**	**57,879**	7,490	17,449	(7,703)	(22,152)
Unfunded liability, beginning of year	**(171,090)**	**(171,090)**	(178,580)	(200,002)	(202,272)	(179,884)
Change in Accounting Policy	**5,531**	**-**	-	-	-	-
Appropriation to (from) reserve fund	**-**	**-**	-	3,973	9,973	(236)
Unfunded liability, end of year	**$ (114,755)**	**$ (113,211)**	$ (171,090)	$ (178,580)	$ (200,002)	$ (202,272)
Funded ratio	**91.4%**	**82.9%**	**74.1%**	**71.7%**	**67.5%**	**65.2%**

The Statement of Operations and Unfunded Liability information for 2004 is presented on the new basis of accounting in accordance with Note 2 to the annual audited financial statements. The information presented for 2004 "prior basis" (or traditional basis), and all preceding years, is based on the former accounting policy related to the recognition of investment gains. A long-term view on investment gains and losses is more indicative of the fundamental performance of the workers' compensation system in the province. Therefore, the Commission will continue to be prudent in setting assessment rates for employers and benefit levels for injured workers.

Workplace Health, Safety and Compensation Commission

Organizational Chart

at December 31, 2004

Minister of Human Resources, Labour and Employment

Board of Directors

Chief Executive Officer

Executive Director Employer Services	Executive Director Worker Services	Chief Financial & Information Officer	
Prevention Services	Compensation Services	Finance	
Assessment Services	Health Care Services	Information Technology Services	
	Grand Falls-Windsor Regional Office		Corporate Governance & Planning
	Corner Brook Regional Office		Communications
			Internal Audit
			Legal/ Investigations
			Human Resources/ Facilities Management

Year at a Glance

	2004	2003	2002	2001
Incidence Rate[1]	**2.2**	2.5	2.7	3.0
Soft-Tissue Incidence Rate	**1.4**	1.4	1.5	1.8
Short-Term Disability Claims[2]	**4,794**	5,213	5,499	6,132
Health Care Only Claims[2]	**3,572**	3,779	4,486	5,032
Accepted Fatality Claims[3]	**23**	23	23	26
Accidents Resulting in Fatality	**10**	9	10	14
Industrial Disease	**13**	14	13	12
Average Short-Term Claims Duration (days)	**102**	105	107	116
Average Assessment Rate[4]	**$3.24**	$3.24	$3.24	$3.24
Required Assessment Rate[4]	**$3.10**	$3.33	$3.45	$3.98
Registered Employer Accounts	**15,697**	15,209	14,815	14,741
Employer Assessments ($ million) (including self-insurers)	**$167.0**	$155.1	$156.0	$137.4
Claims Costs ($ million)[5]	**$131.0**	$138.1	$136.9	$142.4
Unfunded Liability ($ million)				
New Accounting Basis	**$114.8**	-	-	-
Traditional Basis	**$113.2**	$171.1	$178.6	$200.0
Funded Ratio				
New Accounting Basis	**91.4%**	-	-	-
Traditional Basis	**82.9%**	74.1%	71.7%	67.5%

1. Number of lost-time claims per 100 workers employed. Updated for all years to reflect revised employment figures released by Statistics Canada in January 2005.

2. The number of new claims reported and accepted for payment up to March 31 of the following calendar year. Health care only claims do not involve lost-time from work.

3. Accepted Fatality Claims are the number of fatalities that were accepted for payment in 2004.

4. Average Assessment Rate is the rate actually charged per $100 of payroll. Required Assessment Rate is the rate needed to fully cover all costs for a given year.

5. Claims costs includes current year payments plus expected future payments for all injuries occurring and accepted in the year.

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